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S E C R E T SECTION 01 OF 03 ABU DHABI 003275

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STATE FOR NEA/ARP, S/CT, INL/ENT, EB/ESC
STATE PASS FEDERAL RESERVE
TREASURY FOR ZARATE, GLASER, AND MURDEN

E.O. 12958: DECL:9/17/14
TAGS: [EFIN](#) [ETTC](#) [PTER](#) [ECON](#) [TC](#)
SUBJECT: TREASURY A/S ZARATE MEETS CENTRAL BANK GOVERNOR

Classified by Ambassador Michele Sison for reasons 1.5 (b &d).

¶1. (S/NF) Summary: Treasury Assistant Secretary Juan Zarate, accompanied by Embassy Bahrain OFAC Attache and Embassy Abu Dhabi EconChief, met with UAE Central Bank Governor Sultan Nasser Al-Suwaidi on September 16. The Governor noted that the Central Bank continued to work with the Emirati security services to freeze accounts. A/S Zarate raised USG concerns about Al-Qaida financier Salah Salim Al-Shamsi and suggested that the USG and the UAEG consider jointly submitting his name to the UN. Al-Suwaidi asked for more information, which A/S Zarate promised to provide. The UAE has registered 119 Hawaladars (informal money remittance dealers) and is processing a further 21 applications, but is not yet prepared to start penalizing Hawaladars for non-compliance. The Central Bank is working on gaining control over cash couriers and will be hosting a training session in December, to which it would like to invite a speaker from U.S. Customs. Al-Suwaidi also asked for U.S. support for a follow-on conference for Arab Financial Intelligence Units (FIUs) and for a U.S. Treasury speaker for a November 29 conference on the U.S. Patriot Act. He said that the UAE would participate in the November meeting of the Middle East North Africa Financial Action Task Force (MENA FATF) body, being hosted in Bahrain. A/S Zarate discussed two Iraqi front companies: Al-Wasel and Babel and Blotto International, and asked the Governor for an update. Al-Suwaidi said that they had frozen the assets of Al-Wasel and Babel but had not yet acted on Blotto. He assured A/S Zarate that the UAE circulates and updates any list coming from the UN. End

Summary.

Counter-Terrorist Financing

¶12. (C) A/S Zarate asked Al-Suwaidi whether he believed that the new UAE anti-terrorism law helped the Central Bank target and freeze the assets of suspected terrorists. Al-Suwaidi replied that the law indeed had, in many ways codified the Central Bank's existing practices. The Central Bank already coordinated with the UAE's security service (SSD) to freeze the assets of suspected terrorists. Al-Suwaidi added that the Central Bank would always interpret the new law in the most "positive," (i.e. permissive) fashion in order to freeze assets. He said that the law was important because it clearly gave the Central Bank legal cover for actions that it would take anyway. The law also specifically added language referring to implementing UNSCRs on terrorist financing, which addressed the concerns of the "legal system" about the need to investigate and find evidence in response to UNSC designations.

¶13. (S/NF) A/S Zarate asked whether Al-Suwaidi could give a sense of how well the law was working in practice and how many assets had been frozen in response to terrorist financing concerns. Al-Suwaidi replied that the Central Bank cooperated with the SSD on terrorist financing cases and that SSD was not always comfortable sharing details. He stated that SSD referred cases to the Central Bank for asset freezing, but didn't provide details on specific concerns. Al-Suwaidi said that the Central Bank froze assets in response to SSD's instructions, but that he couldn't say how many of these cases were terrorist finance related and how many were related to other concerns. Al-Suwaidi added that he had seen about the same number of cases referred by SSD this year as last year, noting that the Central Bank would issue freeze orders, but didn't always find money. Al-Suwaidi noted that the UAE had frozen between 14 and 18 accounts in response to UNSCRs, and that it continued to respond to UNSCR designations by circulating the information to all financial institutions and instructing them to freeze any related assets. He noted, however, that most of the recent designations didn't have any relationship to the UAE. (Note: A/S Zarate met later in the day with both Abu Dhabi and Dubai.)

¶14. (S/NF) A/S Zarate then said that he needed to make the Governor aware of a case related Salah Salim Al-Shamsi. He explained that the U.S. had very specific concerns about this individual's activities in regards to transferring funds to Al-Qaida and Iraqi Jihadists, and that we were concerned about Al-Shamsi's network within the UAE. A/S Zarate suggested that at a certain point we might want to think about jointly submitting this individual's name to the UN. The Governor asked for more information, stating that the UAEG would need to investigate to be sure that a case was there to justify a freeze. A/S Zarate promised to send a paper to share.

¶15. (C) A/S Zarate provided Al-Suwaidi with an update on the USG's most recent Patriot Act actions, whereby the Secretary of the Treasury can designate foreign entities as

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primary money laundering concerns. He mentioned that the USG had designated five foreign banks, including the Commercial Bank of Syria. The governor took on board A/S Zarate's remarks. Governor Al-Suwaidi used this discussion to lead into his request to have the Treasury Department provide a speaker for a seminar the Central Bank will be hosting in November on the Patriot Act.

Hawala and Cash Couriers

¶16. (C) A/S Zarate thanked the Governor for his leadership role in bringing educating countries about Hawala (an

informal money transfer/remittance system). The Governor said that the UAE had registered 119 dealers and was processing a further 21 applications. The Central Bank was starting to discover Hawaladars (Hawala dealers) that had not yet registered, generally via suspicious transaction reports (STR) from banks. When the Central Bank found an unregistered Hawaladar, it worked to coax them in. Al-Suwaidi said that the Central Bank was not yet ready to start imposing penalties on unregistered Hawaladars.

¶7. (C) Al-Suwaidi explained that it was difficult to estimate the actual number of Hawaladars in the UAE; most of them appear to be very small companies that operate Hawala as a side business and have a small customer base of around 100 people. He added that Hawala was a business that served a specific community, and that he had seen it serving the Egyptian, Philippine, Indian, Pakistani, and Somali communities primarily. Al-Suwaidi admitted that no Hawaladar had yet submitted an STR, but noted that the Central Bank goes through their books on a regular basis. The Central Bank had noticed that the bulk of the Hawala transactions consisted of small sums of money for worker remittances and, therefore, flagged large transfers as suspicious and worthy of follow-up.

¶8. (C) A/S Zarate asked for help monitoring the Somali Financial Services Associations based in the UAE. Both he and the Governor agreed that it was important to facilitate remittances to Somalia, but also important to prevent the flow of funds to militias and terrorists. Al-Suwaidi suggested that the USG and the UAEG work together to promote legitimate financial channels and asked A/S Zarate to share information on our concerns about specific dealers. Twenty of the 119 registered Hawaladars are Somali, so they make up a significant portion of the informal money remittance business.

¶9. (C) Al-Suwaidi explained that the Central Bank was taking a number of steps to deal with the problem of cash couriers. Its ultimate goal was to prohibit all cash shipments except to the Central Bank. It was working with Federal Reserve Bank of New York and UK Customs with the objective of controlling couriers. The UAE is already seeing large sums of cash coming from India and Pakistan, countries with currency controls and artificially fixed exchange rates. Al-Suwaidi noted that people prefer exchanging their dollars a market rates. He added that the Central Bank was seeing fewer Euros coming through, since they were still not as popular. Al-Suwaidi said that the Central Bank would be hosting a national anti-money laundering conference in mid-December, which would work to educate UAE customs officials about cash couriers and cash importing and exporting. He asked if U.S. Customs could provide an expert to present on this topic. (Note: We have asked Embassy Abu Dhabi DHS/ICE attachi to follow-up on this.)

Charities

¶10. (C) The two briefly discussed the regulation of charitable organizations. The UAE Ministries of Finance and Labor were reorganizing the charitable institutions said the Central Bank Governor, Al-Suwaidi said that he knew that the Red Crescent Authority was the umbrella organization in Abu Dhabi, but noted that Dubai and the other emirates still had independent charities. He suggested that A/S Zarate meet with officials for the Ministries of Finance and Labor on the margins of the October 4-5 TIFA Council Meeting in Washington.

Training

¶11. (SBU) The Governor thanked A/S Zarate for the USG's support for the South Asian regional FIU training program, jointly hosted by FINCEN and the Central Bank. He asked that FINCEN support another conference for Arab countries

sometime this year. Al-Suwaidi also said that the Central Bank was organizing a seminar on November 28 for UAE Banks and other Central Banks on the impact of the USA Patriot Act on banks in the region. He noted that the Central Bank had hired a U.S. law firm to present on the Patriot Act and asked whether Treasury would also provide a speaker. A/S Zarate said that he would be happy to provide a speaker for the event. The USG was engaging in outreach to explain exactly what the Patriot Act meant to the financial community.

MENA FATF

¶12. (SBU) A/S Zarate urged the UAEG to actively participate in the Middle East North Africa FATF body, headquartered in Bahrain, and to attend the first meeting on November 29. The Governor stated that someone from the Central Bank would attend. A/S Zarate agreed that it was critical to keep the MENA FATF organization technical, not political and to have concrete results out of the meetings. In that regard, Al-Suwaidi asked for A/S Zarate's views on Iranian and Syrian participation in the body. He argued that it would be important to try and develop a better understanding about what was happening in those two countries. A/S Zarate noted USG concerns about Iranian actions such as support for terrorist entities that were antithetical to the goals of FATF.

DIFC

¶13. (C) In June the Dubai International Financial Center (DIFC) fired its top two regulators, raising international questions about regulatory independence in Dubai's planned offshore financial center and overwhelmingly negative coverage in the western press. A/S Zarate asked Al-Suwaidi for his views on the impact of the firing on DIFC. Al-Suwaidi stated that DIFC set itself back by the way it fired its two top regulators, but that it was appeared to be trying to overcome this setback. He noted that the UK had contacted him to express concern over what the firings implied. As an aside, Al-Suwaidi said that former top regulator Phillip Thorpe had called on him two days ago to say good-bye. At that time, Saeed Al-Hamiz, the Executive Director of Banking Supervision had asked hopefully "is he back?"

¶14. (C) Al-Suwaidi added that the DIFC seemed to be trying to do things correctly now. David King, the acting head of the regulatory body had visited the Central Bank a few weeks earlier to explore signing an MOU with the Central Bank, which Al-Suwaidi added would need to be presented to the board of governors for approval. Regulators from the Dubai Financial Services Authority (the regulator authority for DIFC) also came to the Central Bank to discuss anti money laundering regulations with the Anti Money Laundering and Suspicious Case Unit, so it looked like they wanted to get everything together before opening up.

¶15. (SBU) In response to A/S Zarate's question about other offshore financial centers, Al-Suwaidi explained that the Central Bank had fairly regular contact with Bahrain, Jersey, and the Isle of Man since these offshore financial centers did business with the UAE on a regular basis. He added that the UAE probably had more regular contact with Jersey, since the headquarters for HSBC Middle East was based there.

¶16. (U) This cable has been cleared by A/S Zarate.

Sison